

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF PURCHASED GAS ADJUST-)
MENT FILING OF DELTA NATURAL) CASE NO. 8528-H
GAS COMPANY, INC.)

O R D E R

On December 14, 1982, the Commission issued its Order in Case No. 8528 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received. On September 23, 1983, the Commission issued its Order in Case No. 8866 providing for further adjustment of these rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment ("GCA") Clause set forth therein.

In compliance with the Order issued in Case No. 8866, Delta Natural Gas Company, Inc., ("Delta") filed revised tariffs dividing the total rates into base rates plus a gas cost recovery ("GCR") rate of \$3.7344 per Mcf. The total rates remained those approved in Case No. 8528-G which were to remain in effect.

On September 30, 1983, Delta filed its initial quarterly gas cost adjustment which is to become effective November 1, 1983, and is to remain in effect until February 1, 1984.

Upon review of Delta's proposed rates filed September 30, 1983, the Commission has determined the division of the total

rates, as filed pursuant to Case No. 8866, is incorrect. The base rates are too high and the GCR rate too low resulting in excessive total rates when Delta's proposed GCR rate is added to the base rates. The base rates should be the base costs allowed in Delta's last general rate case, Case No. 8528.

Delta also recognized the inequity in the breakdown of rates. On October 21, 1983, it proposed revised base rates derived by converting purchased gas cost in Case No. 8528 from a purchases to sales basis using information supplied in Case No. 8256-N. This results in total rates lower than those originally proposed.

The Commission is of the opinion that the base rates can best be ascertained by dividing the adjusted cost of purchased gas^{1/} by adjusted sales^{2/}, adding the purchased gas roll-in^{3/} and subtracting the total from the rates granted in Case No. 8528. Appendix B to this Order details the calculation. The base rates should remain constant until new base rates are determined in a rate case proceeding.

In Case No. 8528 the Commission found revenues of \$27,316,947^{4/} to be reasonable. This revenue requirement included adjusted gas costs of \$17,533,949.^{1/} Thus \$27,316,947 less \$17,533,949 or \$9,782,998 was the total revenue exclusive of gas costs found reasonable. As the GCR rate provides for full recovery of allowable gas costs, the Commission is of the opinion that the base rates should recover only revenues found reasonable exclusive of gas costs. The Commission has verified that applying the base rates in Appendix B to the adjusted sales approved in

Case No. 8528 will produce revenues approximately equal to the total revenues exclusive of gas cost found reasonable in that case.

The Commission has noticed that while the wholesale cost of gas per Mcf purchases in this case is .77 cents lower than the cost in Case No. 8528-G; the resulting retail rate is 2.64 cents per Mcf higher. The Commission is of the opinion that this difference of 3.41 cents per Mcf is appropriate and due to the change from Delta's former purchased gas adjustment (PGA) clause to its new GCA clause. Delta's PGA clause calculated adjustments in rates on the basis of Mcf purchases providing no allowance for line loss or company use. Allowance for line loss and company use has been provided in Delta's general rate cases as the difference between the allowed cost of gas per Mcf purchases and the cost per Mcf sales. In Case No. 8528 this difference was 18.12 cents.^{5/} Delta's new GCA clause provides for the segregation of all gas costs from base rates and their recovery through the GCR rate. The difference between the allowed cost of gas per Mcf purchases and the cost per Mcf sales in this case is 21.53 cents, an increase of 3.41 cents over the difference in Case No. 8528. The Commission is of the opinion that the allowance for line loss and company use is reasonable in this case.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

1. Delta's notice of September 30, 1983, set out certain revisions in rates which Delta proposed to place into effect, said rates being designed to pass on the overall wholesale decrease in

gas costs from its suppliers and the change in method of gas cost recovery.

2. The breakdown of the total rates approved in Case No. 8528-G, filed pursuant to Case No. 8866, is incorrect. The base rates should be those calculated in Appendix B to this Order. The GCR rate should be \$3.9156^{6/} per Mcf.

3. Delta should file revised tariffs showing the components of the total rates granted in Case No. 8528-G.

4. Delta proposes an expected gas cost and GCR rate of \$3.9420 per Mcf. This amount reflects the wholesale change in cost.

5. Delta's proposed total rates are excessive due to the high base rates and should not be allowed to go into effect.

6. The adjustment in rates set out in Appendix A to this Order, determined under the PGA provisions approved by the Commission in its Order in Case No. 8528 dated December 14, 1982, and Case No. 8866 dated September 23, 1983, is fair, just and reasonable and in the public interest and should be effective with final meter readings on and after November 1, 1983.

IT IS THEREFORE ORDERED that the rates in Appendix A to this Order be and they hereby are authorized effective for final meter readings on and after November 1, 1983.

IT IS FURTHER ORDERED that the base rates shall be those determined in Appendix B to this Order. These base rates shall remain in effect until such time as revised in a general rate case proceeding by Delta.


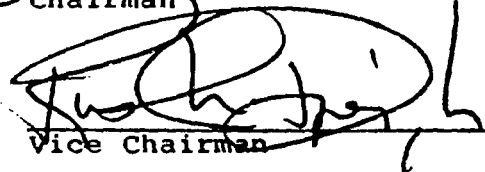

IT IS FURTHER ORDERED that the GCR rate shall be \$3.9420 per Mcf effective for final meter readings on and after November 1, 1983.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Delta shall file with this Commission its revised tariffs setting out the breakdown of the rates granted in Case No. 8528-G, the GCR rate being \$3.9156 per Mcf.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Delta shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 7th day of November, 1983.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

FOOTNOTES

1. Case No. 8528, Order issued December 14, 1982, Footnote No. 22.
Case No. 8528, Order issued January 11, 1983, p. 2.
2. Case No. 8528, Order issued December 14, 1982, Footnote No. 21.
Error - Adjusted sales should be 5,326,434 Mcf.
3. Net increase PGAs 8256-F through 8256-N.
4. Case No. 8528, Order issued December 14, 1982, p. 17 and p. 20.
Case No. 8528, Order issued January 11, 1983, p. 3.
5. Appendix B to this Order.
Case No. 8528, Order issued December 14, 1982, Appendix A.
6. Rates granted in Case No. 8528-G less base rates equal gas cost recovery rate ("GCR").

General Service	<u>8528-G</u>	less	<u>Base</u>	equals	<u>GCR</u>
1 - 5,000 Mcf	\$ 5.6467		\$ 1.7311		\$ 3.9156
5,001 - 10,000	5.3967		1.4811		3.9156
over 10,000	5.1467		1.2311		3.9156
Interruptible					
1 - 5,000 Mcf	\$ 5.3967		\$ 1.4811		\$ 3.9156
5,001 - 10,000	5.1467		1.2311		3.9156
over 10,000	4.8967		0.9811		3.9156

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8528-H DATED NOVEMBER 7, 1983

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATE SCHEDULES

RATES:

	<u>Base Rate</u> plus	<u>Gas Cost Recovery Rate (GCR)(1)</u> equals	<u>Total Rate</u>
General Service			
Monthly Customer Charge			\$2.90
1 - 5,000 Mcf	\$1.7311	\$3.9420	\$5.6731 per Mcf
5,001 - 10,000 Mcf	1.4811	3.9420	5.4231 per Mcf
Over 10,000 Mcf	1.2311	3.9420	5.1731 per Mcf
Interruptible (2)			
1 - 5,000 Mcf	\$1.4811	\$3.9420	\$5.4231 per Mcf
5,001 - 10,000 Mcf	1.2311	3.9420	5.1731 per Mcf
Over 10,000 Mcf	0.9811	3.9420	4.9231 per Mcf

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 8528-H DATED NOVEMBER 7, 1983

Total Adjusted Cost of Purchased Gas	\$ 17,533,949 ^{1/}
+ Adjusted Sales	<u>5,326,434^{2/}</u>
	3.2919
+ Roll-in PGAs 8256- F-N	<u>.2327^{3/}</u>
Sales cost of Gas	<u>\$ 3.5246</u>

RATES PER MCF:

	<u>Rate Granted</u> <u>Case No. 8528</u> minus	<u>Sales Cost</u> <u>of Gas</u> equals	<u>Base Rate</u>
General Service			
1 - 5,000 Mcf	\$5.2557	\$3.5246	\$1.7311
5,001 - 10,000 Mcf	5.0057	3.5246	1.4811
Over 10,000 Mcf	4.7557	3.5246	1.2311
Interruptible (2)			
1 - 5,000 Mcf	\$5.0057	\$3.5246	\$1.4811
5,001 - 10,000 Mcf	4.7557	3.5246	1.2311
Over 10,000 Mcf	4.5057	3.5246	0.9811